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ACTION NEA-16

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 OMB-01 ACDA-19 EB-11 INT-08 TRSE-00 AID-20

CIEP-02 SCI-06 FEA-02 DRC-01 /161 W

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R 150815Z MAY 74
FM AMEMBASSY NEW DELHI
TO SECSTATE WASHDC 1463
INFO AMEMBASSY KABUL
AMEMBASSY ISLAMABAD
AMEMBASSY DACCA
AMCONSUL BOMBAY
AMCONSUL CALCUTTA
AMCONSUL MADRAS

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MESSAGE TEXT

INDIANS SEE MRS. GANDHI'S IRAN VISIT AS GREAT SUCCESS

REF: A. TEHRAN 3593, B. THERAN 3397

1. INDIAN OFFICIALS ARE VERY PLEASED WITH CLIMATE OF COOPERATION ESTABLISHED DURING MRS. GANDHI'S VISIT TO IRAN. PRESS ACCOUNTS EAGERLY SEIZED ON THE SHAH'S COMMENT THAT HE COULD NOT RECALL BILATERAL TALKS WITH OTHER WORLD LEADERS IN WHICH A GREATER DEGREE OF UNDERSTANDING WAS ATTAINED. THE IMPLICIT AGREEMENT OF EACH LEADER NOT TO LET THE OTHER'S RELATIONS WITH THIRD PARTIES INFRINGE ON THE IMPROVEMENT OF INDO-IRANIAN RELATIONS IS PROBABLY THE GREATEST ACHIEVEMENT OF THE VISIT. THE GRADUAL RELAXATION OF TENSION IN THE SUBCONTINENT HAS HELPED TO MITIGATE INDIAN CONCERN ABOUT POSSIBLE IRANIAN MILITARY ASSISTANCE TO PAKISTAN IN THE EVENT OF
ANOTHER MILITARY CONFRONTATION. THE PAKISTANIS APPEAR TO BE CONCERNED THAT IMPROVEMENT IN INDO-IRANIAN RELATIONS IS WORKING TO THEIR DISADVANTAGE (ISLAMABAD 4452).

2. WE AGREE WITH EMBASSY TEHRAN THAT, DESPITE AGREEMENT ON THE ZONE OF PEACE CONCEPT, IRAN AND INDIA DO NOT CONCUR ON THE QUESTION OF FREE TRANSIT OF THE INDIAN OCEAN BY SHIPS OF THE MAJOR POWERS.

3. THE ECONOMIC COOPERATION OUTLINED IN THE COMMUNIQUE AND THE MEMORANDUM OF UNDERSTANDING ADDS LITTLE THAT IS NEW, EXCEPT FOR CREATION OF AN INDO-IRANIAN SHIPPING LINE AND POSSIBLE COOPERATION IN ATOMIC POWER DEVELOPMENT. IT WILL TAKE THREE TO FIVE YEARS BEFORE ANY IRON ORE FROM THE KUDRAMUKJ FIELD MOVES TO MARKET. INDIA’S PLANS TO EXPORT CEMENT, STEEL, AND MANUFACTURED GOODS TO IRAN WILL BE LIMITED BY DOMESTIC SHORTAGES. THE PLAN TO SET UP AN ALUMINA PLANT WITH A CAPACITY OF 300,000 TONS PER YEAR COULD BE SERIOUSLY HAMPERED BY POWER SHORTAGES. THUS, MUCH REMAINS TO BE DONE TO IMPLEMENT THE PLANS LAID IN TEHRAN. THE PRO-GOVERNMENT PRESS TRUST OF INDIA HAS REPORTED HERE THAT A SECOND UNDERSTANDING IS TO BE SIGNED WITHIN TWO MONTHS WHICH ENVISAGES SOFT LOANS TO INDIA OF “WELL OVER” A BILLION DOLLARS, A MORE GENEROUS AMOUNT THAT REFLECTED IN THE COMMENT OF THE IRANIAN OFFICIAL CITED IN PARA 7 OF REF A.

4. THE IMPORTANCE OF THE INTERNATIONAL NEUTRAL FUND AS A SOURCE FOR CREDIT FOR INDIAN DEVELOPMENT WAS HIGHLIGHTED IN THE COMMUNIQUE. INDIA HAS HOPES OF MITIGATING THE EFFECTS OF OIL PRICE INCREASES THROUGH JUDICIOUS BORROWING. WE NOTE THAT IN HER ARRIVAL PRESS CONFERENCE IN NEW DELHI ON MAY 2 MRS. GANDHI SAID SHE DID NOT KNOW IF IRAN WOULD BE ABLE TO SHIP MORE CRUDE OIL TO INDIA. WHEN ASKED IF IRAN HAD AGREED TO LOWER THE PRICE OF CRUDE, SHE REPLIED THAT THIS WAS NOT A MATTER TO BE DISCUSSED IN PUBLIC.

SCHNEIDER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC ASSISTANCE, ECONOMIC COOPERATION, PETROLEUM, HEAD OF GOVERNMENT VISITS, COMMUNIQUES
Control Number: n/a
Copy: SINGLE
Draft Date: 15 MAY 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GarlanWA
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974NEWDE06431
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740120-0369
From: NEW DELHI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740546/aaaabopt.tel
Line Count: 98
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: A. TEHRAN 3593, B. THERAN 3397
Review Action: RELEASED, APPROVED
Review Authority: GarlanWA
Review Comment: n/a
Review Content Flags:
Review Date: 13 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <13-Aug-2002 by worrelsw>; APPROVED <19 FEB 2003 by GarlanWA>
Review Markings:
Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: INDIANS SEE MRS. GANDHI’S IRAN VISIT AS GREAT SUCCESS
TAGS: PFOR, IR, IN, (GANDHI, INDIRA)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005